

washingtonpost.com

# Pharmaceutical Spending Continues Steady Increase

A Few Heavily Advertised and High-Priced 'Blockbuster' Medications Drive 17 Percent Increase

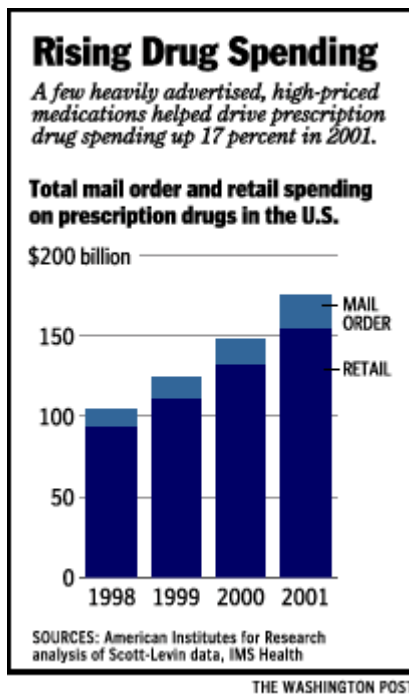
By Ceci Connolly  
Washington Post Staff Writer  
Friday, March 29, 2002; Page A09

For the fourth straight year, prescription drug spending rose more than 17 percent in 2001, driven in large measure by a few heavily advertised, high-priced medications, a nonpartisan study released yesterday found.

Sales of prescription medication at retail stores and through mail-order companies totaled \$175.2 billion last year, an increase of \$27 billion over 2000, according to the National Institute for Health Care Management. The institute is a private, nonprofit research organization led by physicians, insurance executives and policymakers from both parties.

Overall, pharmaceutical costs continue to be the fastest-rising component of health care expenditures, accounting for about 10 percent of spending. Although price increases were part of the reason for the jump, the researchers found that drug use and advertising were also prime factors. In short, more doctors are writing more prescriptions for the most expensive, heavily marketed drugs.

While the trend was criticized by some consumer advocates and politicians, pharmaceutical makers and some economists said today's blockbuster drugs save not only lives, but also dollars.



"Although we talk about how fast drug costs are going up, this is helping to reduce the rate of growth of other medical costs," said Frank Lichtenberg, an economist at Columbia University's business school.

In a number of studies, Lichtenberg has found that modern medications help people live longer, with a better quality of life, so they spend less time in hospitals and more time contributing to society.

"Ultimately, they provide tremendous benefits to society," he said.

The lobbying group Pharmaceutical Research and Manufacturers of America (PhRMA) issued a response detailing situations in which new drug therapies often eliminate the need for most expensive care. Those include cholesterol reducers, or statins, that lower heart disease, treatments for diabetes and asthma, and antidepressants.

"You get a heck of a return on your investment," said Lee C. Vermeulen Jr., director of the Center for Drug Policy and Clinical Economics at the University of Wisconsin Hospital. He said employers and government officials, who pay a large share of the medical bills, should recognize that investing in costly medication can translate into fewer sick days.

Nevertheless, he said there is plenty of waste in the pharmaceutical industry and "ridiculous" decisions by doctors and patients about which medication to use when. Take the people who insist upon eating fatty foods late at night and never exercise, he said.

"They don't want to lose weight or change their diet or take Tums. They're pummeled by advertising, so they go to the doctor demanding" a prescription medication such as Prilosec or Prevacid, he said. "That's a waste."

Frank Clemente, director of Public Citizen's Congress Watch, said few doubt the value of the latest medical advances, but he believes it appears the industry is price-gouging.

"The prices are greatly in excess of what they need to have research and development dollars," he said. On average over the past decade, the pharmaceutical industry has been the most profitable by far, he said, reporting profits about three times the size of other Fortune 500 industries.

With so much money at stake, both sides have invested heavily in shaping public opinion.

The National Institute for Health Care Management, the author of the report, receives funding from the federal government and insurers. Researchers such as Lichtenberg and Vermeulen said they are subsidized by drug manufacturers.

Both Clemente and Sen. Edward M. Kennedy (D-Mass.) said yesterday's report highlights the need for a broad Medicare drug plan. Senior citizens, the nation's major health care consumers, will spend about \$82 billion on prescriptions this year and up to \$105 billion in 2004, the study projects.

"Rising prices put lifesaving drugs increasingly beyond the reach of most senior citizens, so we can't afford to wait," Kennedy said.

Last year, about three dozen drugs were responsible for half the total increase in expenditures, according to yesterday's study.

Americans consumed record quantities of well-known drugs such as Prozac, Lipitor and Prilosec to treat depression, high cholesterol and heartburn, respectively.

Antidepressants remain the top-selling therapeutic class, with \$12.5 billion in retail sales.

The average price for a prescription rose 10 percent, from \$45.27 to \$49.84, the study found. The average price among the 50 best-selling drugs was \$71.56.

In many categories, two or three medications dominated the market. Nearly 75 percent of the prescriptions written to treat heartburn were for Prilosec or Prevacid, for instance.

The study hints at other trends that alarmed Nancy Chockley, president of the foundation that conducted the

research.

She sees an industry that is increasingly focused on retooling existing successes -- dubbed "me-too drugs" -- rather than taking the costly risks that may lead to new cures.

Schering-Plough, for example, has heavily promoted its new antihistamine Clarinex in the hopes of retaining market dominance when its predecessor, Claritin, goes off patent.

With the patent on Prilosec due to expire, Chockley said, AstraZeneca poured \$126 million into advertising its new purple heartburn pill, Nexium.

"They are protecting the market share of these large blockbuster drugs by coming out with a slightly changed version," she said.

PhRMA spokeswoman Jackie Cottrell rejected the notion of "me-too" drugs, saying that even small advances can be significant.

"What might be considered a minor improvement for some might be a major improvement for others," she said.

© 2002 The Washington Post Company